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September 20, 2002

TO ALL APPLICANTS FOR SOLICITATION NO.186-02-35

SUBJECT: AMENDMENT#1
Request for Applications (RFA) Number RFA-186-02-35
Micro, Small and Medium Sized Enterprises (MSME) Program

The purpose of this amendment is to extend the closing date of receiving application to **“October 9, 2002”** and to provide questions and answers (Attachment A) regarding the subject solicitation.

Sincerely,

Catherine A. Mallay
Agreement Officer
USAID/RSC/RCO - Budapest

Questions and Answers on RFA-186-02-35

Q1: What amount of \$14.1 million is to be devoted to the credit component of the MSME program?

A1: We are looking for innovative ways to boost the development of micro, small and medium size enterprises. The specific allocation for the credit component should be based on the applicants' experience and plan to reach the program's targets. Another element to be considered is the applicants' capacity to mobilize additional funds, keeping in mind the 1 to 5 matching condition.

Q2: Of the remaining funds not devoted to credit, is there a preference as to how the money should be allocated between legal reform and competitiveness augmentation?

A2: No. The allocation depends on the applicants' perception on the needs of MSMEs and resources required to reach the program's targets.

Q3: Does loan capital provided by the credit organization (\$5 million minimum) count towards the overall 15% cost share requirement?

A3: No.

Q4: By what criteria and when will sectors of focus be selected?

A4: Sectors, where Romania has comparative advantage in global markets, which are competitive, have potential for growth and can increase exports, will be selected in collaboration with USAID. The selection will be done during the design of the work plan for the first year.

Q5: Targets listed in the RFA require increases in the number of MSMEs (from what to 500,000), 40% reduction in inspection/audit time, 50% reduction in case resolution, 10% increase in value of exports and foreign investment (regardless of economic conditions and external factors). Designing programs to achieve these targets requires information on how the original numbers were reached. What information can be provided in this regard?

A5: The targets are based upon the available historical data, information on current trends, and several special studies. The SO Team adjusted the targets to reflect the planned impact of the program. For the number of MSMEs, the baseline data is 400,000.

Q6: The RFA mentions "sectors in which Romania has a competitive advantage". Could you give us some idea of what USAID sees those sectors to be?

A6: Please, read the reports referenced in the RFA. Based on a report you will find on CIPE's web (accessed by logging on to www.ciperomania.org and clicking on research/articles) USAID is currently focusing its interventions on tourism, information technology, and furniture industry. However, we are more interested in the applicants' suggestions and experience. Based on your experience what areas offer potential for investment, for exports, and in what particular sectors or sub sectors Romania has comparative advantage in the global markets? We are interested in new ideas.

Q7: How is "mobilized capital" defined?

A7: "Mobilized capital" means any money coming from commercial banks or private investment, or from other donors, not USAID, but which may not have attached funds to cover the operational and administrative costs. The first year capital should be already committed. For the life of the activity, the applicant should clearly demonstrate how it will obtain these funds.

Q8: Does "NGO operational and administrative cost" include one-time costs incurred for setting up/expansion of operational infrastructure necessary for expanded disbursement?

A8: No. The operational and administrative costs are covered every year for the duration of the activity (five years).

Q9: What time frame is envisioned for this program? Is this a one-time intervention to support expanded commercial access to MSME credit, or a phased intervention to support new/existing microfinance programs to reach sustainability/viability over a defined period of time?

A9: Five years. This should be allocated to new regions, where micro-finance is not yet developed.

Q10: Can credit union loan capital currently being supplied in the form of loans to micro- and small-entrepreneurs meet the USAID requirement for the loan capital leveraging?

A10: Capital currently in the form of loans to MSME's could not be counted as leveraged capital. One of the objectives of the program is to increase the capital mobilized for MSME loans. To be considered as leveraged capital you would have to present clear evidence that the capital is newly mobilized and being made available to MSMEs by the CUs as a result of their participation in the program.